

The complaint

Miss A says Provident Personal Credit Limited – trading as Provident – irresponsibly lent to her.

What happened

This complaint is about two home collected credit loans Provident provided to Miss A between October 2017 and July 2018. The first loan was for £700 and was due to be repaid over 52 weekly instalments. Miss A's second loan was for £1,000 and she needed to make weekly repayments over 78 weeks. At the time of writing this decision, the balance on loan 2 is outstanding.

Miss A also complained that her payment book wasn't kept up to date and so she disputes how much is outstanding for loan 2. In its final response, Provident apologised for the fact Miss A's payment book wasn't updated as it should have been.

In the most recent assessment, our adjudicator partially upheld Miss A's complaint because he thought loan 2 shouldn't have been given to Miss A. The adjudicator said this because loan 2 was taken out whilst loan 1 was still running and the combined repayment cost for both loans would have accounted for a significant portion of her income and therefore wasn't sustainably affordable for Miss A. The adjudicator also noted that Provident had recorded Miss A's income incorrectly as it had based her income on her gross pay rather than her net pay.

Our adjudicator also thought that Miss A was due some compensation due to the payment book not being updated correctly and asked that Provident apply a £50 credit towards the outstanding balance.

Provident didn't respond to assessment. As the complaint couldn't be resolved informally, it has been passed to me for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website.

Provident needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss A could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. In the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Provident should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Provident was required to establish whether Miss A could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Miss A's complaint. Having done so, I'm partially upholding the complaint. I'll explain why.

Our adjudicator didn't think Provident needed to do more checks when it approved loan 1. Miss A didn't respond to this point. As there appears to be no ongoing dispute about this loan, I won't be making further findings on them.

Provident says it carried out checks before it lent loan 2 to Miss A and the results of these checks didn't raise any concerns. However, I think if Provident had properly considered the information it had about Miss A's financial situation before lending, I think it would have seen that Miss A was not able to take on this borrowing.

I say this because for loan 2, Miss A was borrowing £1,000, which was due to be repaid plus interest in 78 weekly instalments. This meant that Miss A would be repaying £27 from her weekly declared income of around £290 (this is her net pay). The repayments for this loan in isolation don't appear to be unaffordable, but at the time of taking loan 2, Miss A's previous loan was still running. So, the combined weekly repayment for both loans was £52.20 per week and in my view this amount represented a significant proportion of Miss A's weekly income.

And so, I think Provident ought to have realised this and the potential for Miss A to struggle to make the repayment – especially as it needed to be repaid over several months. As the

balance of this loan is outstanding, I think this demonstrates that Miss A was unable to sustainably make the repayments and this loan shouldn't have been given.

So, I'm upholding Miss A's complaint about loan 2 and Provident should put things right.

I've also considered Miss A's complaint that her payment book wasn't kept up to date. I can see that Provident has acknowledged that this didn't happen but it's unclear how many payments are missing because Miss A paid in cash. Whilst I can see that Provident did apologise for this, I think it's likely the outstanding amount on loan 2 might not be reflective of what she has repaid. So, in light of this, I think what the adjudicator proposed is a fair way of reflecting this. And I agree an amount of £50 should be applied to Miss A's loan repayments.

Putting things right

If Provident has sold the outstanding debt Provident should buy this back if Provident is able to do so and then take the following steps. If Provident can't buy the debt back, then Provident should liaise with the new debt owner to achieve the results outlined below.

A) Provident should remove all interest, fees and charges from the balance on loan 2, and treat any repayments made by Miss A as though they had been repayments of the principal on this loan. If this results in Miss A having made overpayments then Provident should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.

B) Provident should apply a £50 credit to Miss A's outstanding balance on loan 2.

C) If there is still an outstanding balance then Provident should try to agree an affordable repayment plan with Miss A. Provident shouldn't pursue outstanding balances made up of principal Provident has already written-off.

D) Provident should remove any adverse information recorded on Miss A's credit file in relation to loan 2.

† HM Revenue & Customs requires Provident to take off tax from this interest. Provident must give Miss A a certificate showing how much tax it's taken off if she asks for one.

My final decision

I'm partially upholding Miss A's complaint. Provident Personal Credit Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 9 September 2020.

Claire Marchant-Williams
Ombudsman